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FROM : Brussels, No. 3, July 11, 1950

REF : Embassy's Despatch 882, June 30, 1950

SUBJECT : Translation of Economic and Financial Sections of Government Declaration to Belgian Parliament.

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In the Embassy's despatch under reference there was transmitted a complete text of the statement made by Prime Minister Duvieusart when he appeared before the Belgian Chamber on Wednesday, June 28. There follows a translation of those sections of the governmental declaration which have to do with economic and financial matters.

A comparison of the economic and financial sections of this declaration with certain ministerial statements made on the formation of the previous Government (references: Embassy's reports 195 and 197, September 9, 1949, and 202 and 203, September 13, 1949) shows that there is in substance little difference between the policies which the two Governments stated that they plan to follow. This is of course not surprising in view of the fact that the PSC had a major share in the formation of the last coalition Government and the fact that many of the personalities in the present government held portfolios in the previous government.

The Prime Minister, after discussing the royal question and paying homage to the Regent, turned to the budget which he considered in the following words:

"'The reestablishment of constitutional order also calls for certain measures which must assure efficacious functioning of democratic institutions.'

"A voice to the left: 'The Gendarmerie.'

Mr. Duvieusart continued: 'These institutions have been put to a hard test by the weight of the expenses which they bear. They cannot show themselves to be inferior to what is needed.

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"'Therefore, the government is going to request Parliament to make a special effort to resolve in the coming weeks the urgent problems which have accumulated in the budgetary and legislative domains.

"'It will ask the Chambers to examine with all speed the projected budget for 1950 as well as the supplementary adjustments for 1949.

"'It will present to Parliament very quickly the first supplement of adjustment of the 1950 budget and will take all the necessary measures in order to present the draft budgets for 1951 on the required date.

"'The government has already taken the first step, in the form of a draft law, which will allow for the normal functioning of our civil service administrations by regularizing the situation of temporary employees. It intends to follow this operation with the greatest diligence and will look simultaneously for all means likely to rationalize the administration and to increase its efficiencey.

"'In the first place it will give its attention to the pay of pension scales of public servants, which must be revised.

"'It will give first place to consideration of a draft of a general law regarding parastatal organizations. That group of these establishments, the maintenance of which outside of the ranks of the traditional public administrations is justified, will have their juridicial status made more precise and will be made subject to an efficient system of control.

"'All the power of the state, which is the organ of an efficient democracy, will be dedicated to a triple objective: the development of the national prosperity; social cultural and moral progress; expansion of Belgian foreign trade and the maintenance of peace.

"'Irrespective of ideologies regarding control or freedom of our economy, the government will follow in all economic matters a realistic policy of direction and support. It will do its best to create the most favorable conditions for the expansion of initiative and of private enterprise, supplementing this by its own action, in order to bring about, in a concrete form, the greatest welfare for the whole community.

"'It considers that one of the great responsibilities of democratic societies is to promote optimimum employment, with due regard for individual liberty and social justice.

"'At the moment in which the government comes to power it finds on the one hand that the Belgian economy is not far from the highest level of activity which has been reached in recent years and, on the other hand, that unemployment, despite the results already obtained by an energetic policy of employment, is continuing at the levels reached at the same period in 1949.

"'However, it must be clearly stated there does not exist in Belgium any index of deflation if one means by that term, deflation in demand or a deflation of the currency.

"'It is then in more profound causes and because of these graver causes that one must look for the explanation of unemployment.

"'Leaving aside for the moment, the particular circumstances which effect certain types of business or which have their origin in the characteristics of Belgian legislation regarding employment, unemployment in Belgium finds its main cause in the fact that increases in individual productivity have not been accompanied by an equivalent increase in total national production because neither foreign trade nor national investments have expanded. In other terms the government is faced with a problem of unemployment which results not so much from a drop caused by a change in the phase of the Belgian business cycle, but because of developments in the economic structure of Belgium, of Europe and, in fact, of the whole world.

"'It is in the blossoming of the national economy that the government will look simultaneously for means of giving work to the forces which are unemployed and of sustaining, even in the field of international competition, the level of revenues and the progressive character of Belgian social security legislation.

"'Above and beyond the problems of distribution, which divides men into separate groups, the creation of the national revenue brings them together

"'We invite the whole country to partake in this work.

"'This action will be followed on the internal and the external fields.

"Agriculture

"'The government is fully conscious of the primary role of agriculture in the whole of the national economy.

"'Henceforth the technical progress realized by the agriculture population will result in so great an increase in production in certain sectors that it will be such that the internal market will not be able to absorb it and outlets abroad must be found.

"'It is for this reason that the government will follow a policy which, while defending the legitimate interests of agriculture on the home market, will assure the most favorable conditions for the export of excess production. While maintaining, especially within the framework of the economic union with the Netherlands, measures necessary to safeguard a profitable position for agriculture, the government will support and develop the work of scientific research intended to better the conditions of agricultural output and will encourage, by an appropriate credit policy, the equipment of the farms.

"'The government will go on with the systematic study of the distribution of agricultural products.

"Industry

"'Putting the coal industry back on a healthy basis constitutes one of the fundamental conditions of viability for the ensemble of the industrial complex of the country.

"'In this regard, the government will continue to apply the policy inaugurated by the preceding government.

"'It will propose, to reach this end, the necessary legislative measures: Control of the guaranty funds for damages caused by mining, drafts of a law to modify the mining laws with a view to facilitating the administrative formalities prior to forfeiture and the reorganization of concessions.

"'On the other hand, in order to allow the coal mining industry to undertake the necessary price changes, the government will stimulate the reequipment of mines by giving new resources to the credit agencies loaning to the mines thus reinforcing a policy already practiced by allotting a share of Marshall funds to the mines.

"'Progress in the equipping of the productive resources of the country is basic, and the policy to achieve this will be supplemented by an active investment policy, to be carried out especially through reduction in the rate of interest.

"Middle Classes

"'The middle class will find throughout this declaration a series of propositions which will stabilize their position and perpetuate the important role which they are playing in the social and economic life of the country: the place given the middle classes in the laws organizing the economy will be the surest guaranty of their future.

"'In addition, the government intends to improve the credit facilities available to small and middle-size businesses, as well as the conditions of credit distribution.

"Internal Trade

"'One of the problems which most imperiously demands solution in the adaption of the Belgian economy to existing conditions is the distribution of goods. The government intends to propose to the legislative bodies a group of measures which will aid in this: a reform of the register of commerce; the establishment of a national mark of guaranty and legislation to put an end to cut-throat competition and to protect the consumer.

"Foreign Trade

"'This action inside the country must be supplemented with a new effort to stimulate the export trade.

"'Using all available powers of the country, the government will assist in all measures which can lead to the expansion of international exchange, without disregarding the necessary equilibrium between the total imports and total exports.

"'It will support and, if necessary, will stimulate, by public initiative, the efforts of Belgian producers to develop trade with traditional foreign markets and to conquer new markets. It will support an active policy of credits to exporters intended to utilize, in the best possible way the international connections of the country, by uniting the efforts of financial and banking institutions, as well as the technique of the Office National du Ducroire.

"Communications

"'The government will continue to clean up the Belgian national railroads, especially in the financial field.

"'It will submit to Parliament drafts of a law establishing a new statute for streetcar companies whose concessions have reached expiry.

"'The coordination of transport will be considered in a spirit intended to bring about a harmonious resolution of the various interests in the matter, and one which is in accord with the interests of the whole of the national economy.

"'A new law regarding radio services will be submitted very shortly to Parliament. It will tend to improve the services which the public expects from the radio. The government will continue to be equally attentive to the developments of matters having to do with television (Cries of Ah! from the Socialists).

"Tourism

"'Tourism has taken an uncontested place in Belgium. This should continue to grow largely in proportion to the freeing of international travel and of the increase in the standard of living. The government intends to encourage this branch of industry by all the means at its disposal, particularly by making full use of the national tourist treasures in the country and by a large national and international publicity campaign.

"Public Works

"'The public works policy actually serves two ends: to develop the economic and social equipment of the country and to fight unemployment.

"'From the first point of view the government will be attentive to improving the port equipment and the navigable rivers and waterways as well as the road network with a view to allowing the expansion of the whole economic potential of the country without distinction as to regions within the framework of an European economy.

"'With regard to the second point, it will integrate the policy of public works with a coordinated policy of employment of available workers. It will base its program on a policy of collaboration with local governments. It will make simpler procedure regarding the execution of public works in such a manner as to accelerate their rhythm.

"Reconstruction

"'The reparation of war damages to persons and to property has both a just and legal priority. The government will accelerate and make more flexible the procedures being followed. This implies amendments to existing legislation as well as reorganization of certain administrative services.

"'The funds of the "Autonomous Fund For War Damage" will be employed in an increasingly rapid fashion. The benefits of the deblocking of funds tied up in the "Loan for Monetary Stability" will be gradually extended to new categories of persons who have suffered damages.

"Finance and Money

"'The realization of all these objectives is postulated on the development of saving, which in its turn rests on a sound direction of the public finances and on the integrity of the currency.

"'The general financial equilibrium of the country forms a whole of which budgetary equilibrium makes up one of the elements.

"'After long effort the country has arrived, from a monetary point of view, at a stable equilibrium between prices and salaries on the one hand, and the means of payment, on the other. The balance of payments is in equilibrium. The government does not intend to agree to any measure, either inflationary or deflationary, which could break this stability.

"'In this realm, the efforts of the gov ment will tend to develop productive saving, in every form it can take.

"'It will bring to Parliament a draft law turning over to the state, according to existing rules, the proceeds from the evaluation of the gold and foreign exchange reserves of the National Bank of Belgium. It has the intention of constituting, by means of the proceeds of the reevaluation, a treasury reserve which, depending on the evolution of the economic situation, can be used either to finance productive works or to repay the debts of the state.

"'The equilibrium on the ordinary budget will be assured in a real and sincere way. It is indispensable that the wise provision of the law of May 15, 1846, be abided by effectively, which provides that "every request for a credit made outside of the annual budget must indicate ways and means which will be ear-marked for the credit asked for."

"'The compression of administrative expenses will be pressed forward with renewed vigor.'

"(A voice from the left: 'With new nominations'.)

"The Prime Minister continued,'With the collaboration of the mixed commission established by the law of June 1, 1949, the expenses of government will be inventoried, reconsidered on basis of principle and their modality and adapted to strictly indispensable needs.

"'The financial house cleaning of the various sectors of the economy which still absorb important subsidies from the state will be carried out.

"'In the fiscal domain the government will bring to a good conclusion within a short time the general reform of taxes on income. Based on the great study carried out by the preceding governments. This reform will be inspired by certain guiding

principles: the necessity of creating a climate which will stimulate the economy; fiscal justice, which distributes the burdens according to the individuals' paying ability; simplification, in so far as it is compatible with the indispensable social, economic and family management of the fisc.' (Mr. Joris, Liberal, interrupted and said: 'All this will be carried out, before or after the return of the King, Mr. Prime Minister?')

"The Prime Minister continued: 'The government proposes in addition to extend, in the same spirit, its effort of simplification in the realm of taxes on consumption and taxes on the legal circulation of property.

"'Certain urgent measures must be carried out immediately: the Parliament will be called upon to act, without delay, on a draft of a law intended to continue—reserving our right to make larger concessions to the family man--the schedule of taxes retained at sources which have been in effect since January 1, 1950 and which will include, in addition to a large increase in the exonerated minima, additional relief in favor of the small and middle tax payers.

"'The project of law will also contain for the 1951 budget certain improvements of the coordinated laws relative to income taxes, for which, we can no longer retard, the entry into effect.

"'The simplification and rationalization of fiscal procedure will be studied in order to bring about quickly the end of the backlog, which exists in the suits arising from direct taxation.

"'The liquidation of the sequestrations and the wartime organisms, especially the Bank of Emission, will be carried out according to modalities which will very shortly be proposed to Parliament.

"'Measures will be taken so that the delays caused by the war in the rendering of the general accounts will be rapidly carried out.

"'The bonds of the Loan for Monetary Reform resulting from monetary assets blocked in October 1944 are another sequel of the war. The government intends to find means for bringing about their repayment.

"Social Progress, Cultural and Moral

"'The government's social policy will be devoted to the dignity of the human being in the organization of the economy and will have for its objectives progress in social security, the status of the family and the development of intellectual life.

"Organization of the Economy

"'The structure, based on the Central Council of the Economy will be completed by the creation, in a short time, of Professional Councils. The normal functioning of works counsels will be assured by the publishing of decrees regulating the documents to be communicated to these organisms.

"'The union of the workers to the direction of the national economy brought about in the above mentioned manner, requires for its completion a law defining the functions of company auditors and the establishment of a clear and sensible method of accounting. (Mr. Spaak applauded but no one followed him. The retired Prime Minister then made a sign of regret in the direction of the benches of the PSC). The government will undertake the necessary measures to realize these objectives.

"'The drafting of a law which would organize the middle classes is underway and will be completed in a short while.

"Social Security

"'Salaried workers or those working for their own account may expect, in all confidence, further development of the government's policy in social security matters.

"'These intend not only to guarantee the advantages which would come from a house-cleaning of the mechanism and from consolidating those sections of the social security system where a reorganization is necessary, but also to improve certain of the arrangements, particularly in regard to old age pensions and family allowances.

"'In regard to old age pensions the government is conscious of the necessity of improving the situation of persons working on their own account. It is ready to ask the country for a new effort in their favor but it plans to request the beneficiaries to contribute themselves.

"'When these steps have been taken, the government will then investigate, from the same point of view, the status of salaried workers

"'The government is interested in finding a reasonable solution to the problem resulting from the situation of the beneficiaries who receive payments as crippled or disabled persons who, when they have reached the age for receiving an old age pension, find there is a marked decrease in their financial resources. (Again Mr. Spaak tried to get the P.S.C. members to applaud but they refused.)

"'In the field of family allowances the government will ask Parliament to reconsider draft law No. 121 intended to assure the financial equilibrium of those paid to salaried workers.

"'The legislation regulating family allowances for independent workers will be improved. Birth allowances will be paid beginning on January 1, 1950. In addition the government will study a revision of the law on industrial accidents taking as its guide the conclusions of the special commission which studied this problem.

"'In the domain of the relations between the heads of business organizations and their workers the government will hasten the setting up of the "National Council of Work" which will play for the workers the same role which the "Central Council of the Economy" plays for the economy in general and which will replace the existing "General Parity Council."

"'The government will support a revision of the legislation in the matter of work contracts, employment contracts and apprenticeship contracts.

"Health--Family

"'Encouraged by the results already obtained in this domain the government has decided to follow a firm and effective policy in the matter of housing in giving the maximum results to the existing provisions of law which regulate the granting of bonuses for construction and the distribution of credits to the national society to cheap housing and lodging and plans to prolong their effect. It will take the necessary measures to assure that those societies which have the duty of making credits available receive adequate funds to do this.

"'In this manner the government intends to bring a durable solution to the housing problem and to improve the housing condition of the population.

"'It plans to carry out a policy intended to extend the water-work net-works for household water throughout the country. Full application will be given to the law of March 11, 1950 to protect water against pollution.' (Mr. Spaak: 'Very good').

"The Prime Minister continued: 'In the domain of preventive and curative medicine no effort will be spared to arrive at substantial results: A draft law reforming the medical inspections of schools will be submitted to the legislative Chambers and the commissions of public assistance will receive the necessary subsidies for equipping a hospital and establishment for children and old people.

"'In the matter of assistance, a project of law modifying the law of 1891 regarding public assistance will soon be laid before the Chamber and the Senate.

"'The government will not lose sight of the effort which must still be made in the matter of physical education and sports. It will take particular pains to generalizing thorough medical control intended to see that the sports practiced are those best adapted to the physical condition of the individuals.

"'In finni, the government has resolved to follow the established family policy, particularly in favor of young married couples and large families. This policy, in order to be effective and complete must be followed simultaneously in a number of domains. The government will bring about by the different departments a constant collaboration with a view of obtaining by this means the maximum of results.'"

Donald B. Calder
Second Secretary of Embassy

Approved